

GMG
COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2009

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GMG COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education
(Before September 2008 Election)

Linda Havelka	President	2008
Kathy Beane	Vice President	2010
Merle Applegate		2010
Rick Landt		2010
Jim Fleming		2008
Kevin Bovenmeyer		2009
Allen Burt		2009

(After September 2008 Election)

Linda Havelka	President	2011
Kathy Beane	Vice President	2009 *
Merle Applegate		2009 *
Rick Landt		2011 *
Jim Fleming		2011
Kevin Bovenmeyer		2009
Allen Burt		2009

School Officials

Michael Ashton	Superintendent
Deb Stahl	District Secretary/ Treasurer

- * Board term extended/shortened per the District's transition plan for changing Board terms from 3 to 4 years in accordance with Chapter 39.24 of the Code of Iowa.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
GMG Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund and of GMG Community School District, Garwin, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

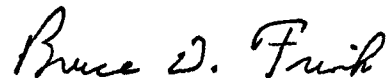
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of GMG Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2010 on our consideration of GMG Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GMG Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2008 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the seven years ended June 30, 2007 (which are not presented herein) were audited by other auditors, in accordance with the standards referred to in the second paragraph of this report, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 15, 2010

GMG COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

GMG Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The District received a preschool grant from the State of Iowa. This alone accounted for an enrollment increase of 17.4 students.
- General Fund revenues increased from \$3,963,889 in fiscal 2008 to \$4,323,876 in fiscal 2009, (a nine percent increase) while General Fund expenditures increased from \$3,898,160 in fiscal 2008 to \$4,288,512 in fiscal 2009 (a ten percent increase).
- The increase in General Fund revenues was primarily attributable to increases in tuition revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance increased due to additional revenues and cost containment measures.
- The statewide sales and services tax replaced the local option sales tax in fiscal year 2009. The District began receiving these funds in September 2008. These monies are being used for improvements to district facilities. This tax allows the District to update its facilities for an expanding enrollment without raising property taxes.
- The District began a construction project at the high school including an addition to and remodeling of existing facilities. It is being financed with a combination of general obligation and sales tax revenue bonds.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of GMG Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report GMG Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which GMG Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity and Agency Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

GMG Community School District Annual Financial Report

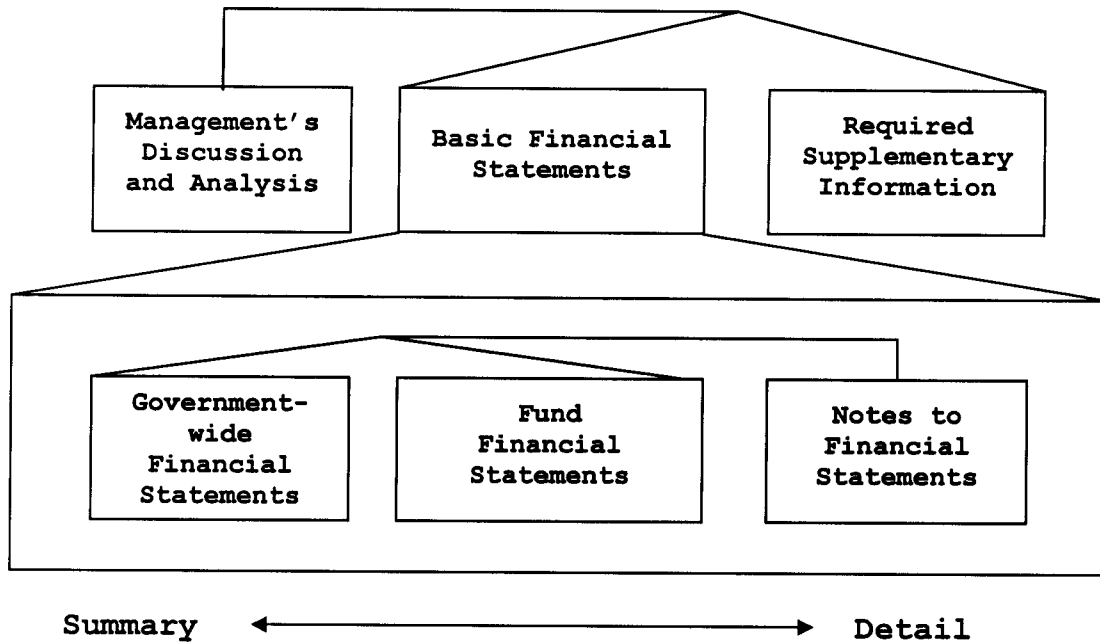


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activity the District operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has chosen to treat all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others.

- *Agency Funds* - These are funds through which the District administers and accounts for funds from the Kienzle Farm.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for agency funds include a statement of fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2009 compared to June 30, 2008.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 7,548	3,857	44	42	7,592	3,899	48.64%
Capital assets	4,517	4,014	43	50	4,560	4,064	10.88%
Total assets	12,065	7,871	87	92	12,152	7,963	34.47%
Current liabilities	2,233	2,329	14	13	2,247	2,342	-4.23%
Non-current liabilities	6,610	2,791	-	-	6,610	2,791	57.78%
Total liabilities	8,843	5,120	14	13	8,857	5,133	42.05%
Net Assets							
Invested in capital assets, net of related debt	1,927	1,223	43	50	1,970	1,273	35.38%
Restricted	271	528	-	-	271	528	-94.83%
Unrestricted	1,024	1,000	30	29	1,054	1,029	2.37%
Total net assets	\$ 3,222	2,751	73	79	3,295	2,830	14.11%

Combined net assets grew primarily as a result of the District's increase in capital assets. The District has taken advantage of the local option (now statewide) sales and services tax to expand its facilities in recent years. Unrestricted assets grew due to the District finding additional non-property tax revenues as well as cost containment measures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 984	920	138	108	1,122	1,028	9.14%
Operating grants, contributions and restricted interest	859	670	102	97	961	767	25.29%
General revenues:							
Property tax	1,634	1,594	-	-	1,634	1,594	2.51%
Income surtax	142	131	-	-	142	131	8.40%
Local option sales tax	209	199	-	-	209	199	5.03%
Unrestricted state grants	1,281	1,227	-	-	1,281	1,227	4.40%
Unrestricted investment earnings	30	48	-	-	30	48	-37.50%
Other	34	27	-	-	34	27	25.93%
Total revenues	5,173	4,816	240	205	5,413	5,021	7.81%
Program expenses:							
Governmental activities:							
Instruction	3,180	2,838	-	-	3,180	2,838	12.05%
Support services	1,102	1,024	-	-	1,102	1,024	7.62%
Non-instructional programs	-	-	246	214	246	214	14.95%
Other expenses	420	551	-	-	420	551	-23.77%
Total expenses	4,702	4,413	246	214	4,948	4,627	6.94%
Change in net assets	\$ 471	403	(6)	(9)	465	394	18.02%

Property tax and unrestricted state grants account for 54% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$5,173,342 and expenses were \$4,702,845 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, and other expenses, for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2009	2008	Change 2008-2009
Instruction	\$ 3,180	2,838	12.05%	1,478	1,396	5.87%
Support services	1,102	1,024	7.62%	1,083	1,001	8.19%
Other expenses	<u>420</u>	<u>551</u>	<u>-23.77%</u>	<u>299</u>	<u>425</u>	<u>-29.65%</u>
Totals	<u>\$ 4,702</u>	<u>4,413</u>	<u>6.55%</u>	<u>2,860</u>	<u>2,822</u>	<u>1.35%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$984,434.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$605,809.
- The net cost of governmental activities was financed with \$1,633,891 in property tax, and \$1,281,512 in state foundation aid.

Business-Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$239,849 and expenses totaled \$246,319. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted GMG Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$5,210,472 a large increase over last year's ending fund balances of \$1,417,301. This is almost entirely due to the issuance of bonds for new construction and remodeling at the high school. Fiscal year 2010 will show a corresponding decrease as these funds are spent.

Governmental Fund Highlights

- The District's General Fund balance increased as a result of increased tuition revenues and cost containment measures. Allowable growth of 4% or less is inadequate to keep up with increasing enrollment requirements.
- The District continues to expand its facilities through the use of statewide sales and services tax revenues and issuance of new debt to be paid for from property taxes and sales tax revenues.

- The District's open enrollment in has continued to increase. This will allow the District to continue to grow. The District also received a state grant for preschool which allowed them to count attendees in four year old preschool in the certified enrollment.

Proprietary Fund Highlights

The School Nutrition fund decreased during the year by 8%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 33 and 34. The District exceeded the budgeted amounts in the other expenditures and instruction functions. It did not exceed its statutory spending authority.

Legal Budgetary Highlights

The District's receipts were over \$374,000 greater than budgeted receipts, a variance of 7%. The variance resulted from the District receiving more miscellaneous revenue than originally anticipated.

Total expenditures were less than budgeted in total, due primarily to the District's budget for the General Fund. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2009, the District had invested \$4.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$170,325.

The original cost of the District's capital assets was \$8,426,311. Governmental funds account for \$8,293,126, with the remainder of \$133,185 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Capital Assets, net of Depreciation
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 55	55	-	-	55	55	0.00%
Construction in progress	534	-	-	-	534	-	100.00%
Buildings	3,698	3,784	-	-	3,698	3,784	-2.27%
Furniture and equipment	230	175	43	50	273	225	21.33%
Totals	\$ 4,517	4,014	43	50	4,560	4,064	12.20%

Long-Term Debt

At June 30, 2009, the District had \$6,610,000 in general obligation and revenue bonds. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

In fiscal year 2009, the District issued general obligation and revenue bonds for the construction of an addition to the existing high school. All existing debt was callable, the District issued new debt at a lower interest rate to pay off the existing debt.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 4,910	2,585	89.94%
Revenue bonds	1,700	206	725.24%
Total	\$ 6,610	2,791	136.83%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Statewide sales and services tax replaced local option sale tax in fiscal year 2009. This money is being used for various building/remodeling projects and property tax relief throughout the District.
- The District has experienced increasing open enrollment in over the past several years. This allows the District to provide programs without increasing property taxes.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Stahl, District Secretary, GMG Community School District, 306 Park St, Garwin, IA 50632.

Basic Financial Statements

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 5,545,055	29,584	5,574,639
Receivables:			
Property tax:			
Current year	24,857	-	24,857
Succeeding year	1,699,855	-	1,699,855
Income surtax - succeeding year	126,092	-	126,092
Due from other governments	151,682	-	151,682
Inventories	-	13,647	13,647
Capital assets, net of accumulated depreciation	4,517,033	43,468	4,560,501
Total assets	\$ 12,064,574	86,699	12,151,273
Liabilities			
Accounts payable	73,218	-	73,218
Accrued payroll and benefits	434,050	12,864	446,914
Retainage payable	3,854	-	3,854
Accrued interest payable	21,837	-	21,837
Unearned revenues	-	1,340	1,340
Deferred revenue:			
Succeeding year property tax	1,699,855	-	1,699,855
Long term liabilities:			
Portion due within one year:			
General obligation bonds	200,000	-	200,000
Revenue bonds	45,000	-	45,000
Portion due after one year:			
General obligation bonds	4,710,000	-	4,710,000
Revenue bonds	1,655,000	-	1,655,000
Total liabilities	8,842,814	14,204	8,857,018
Net Assets			
Invested in capital assets, net of related debt	1,926,958	43,468	1,970,426
Restricted for:			
Management levy	101,069	-	101,069
Debt service	7,695	-	7,695
Physical plant and equipment levy	149,652	-	149,652
Categorical funding	11,979	-	11,979
Unrestricted	1,024,407	29,027	1,053,434
Total net assets	\$ 3,221,760	72,495	3,294,255

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 3,180,244	984,434	717,391	(1,478,419)	-	(1,478,419)
Support services:						
Instructional staff services	98,410	-	-	(98,410)	-	(98,410)
Administration services	456,226	-	-	(456,226)	-	(456,226)
Operation and maintenance of plant services	313,746	-	19,490	(294,256)	-	(294,256)
Transportation services	233,949	-	-	(233,949)	-	(233,949)
	1,102,331	-	19,490	(1,082,841)	-	(1,082,841)
Other expenditures:						
Facilities acquisition	-	-	-	-	-	-
Interest on long-term debt	137,809	-	-	(137,809)	-	(137,809)
Service fees on long-term debt	1,075	-	-	(1,075)	-	(1,075)
AEA flowthrough	121,637	-	121,637	-	-	-
Depreciation (unallocated) *	159,749	-	-	(159,749)	-	(159,749)
	420,270	-	121,637	(298,633)	-	(298,633)
Total governmental activities	4,702,845	984,434	858,518	(2,859,893)	-	(2,859,893)

GMG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	246,319	137,418	102,431	-	(6,470)	(6,470)
Total	<u>\$ 4,949,164</u>	<u>1,121,852</u>	<u>960,949</u>	<u>(2,859,893)</u>	<u>(6,470)</u>	<u>(2,866,363)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,133,002	-	1,133,002
Management Fund				85,167	-	85,167
Capital outlay				107,963	-	107,963
Debt service				307,759	-	307,759
Income surtax				141,738	-	141,738
Statewide Sales and Services Tax				209,035	-	209,035
Unrestricted state grants				1,281,512	-	1,281,512
Unrestricted investment earnings				30,298	-	30,298
Other				33,916	-	33,916
Total general revenues				<u>3,330,390</u>	<u>-</u>	<u>3,330,390</u>
Change in net assets				470,497	(6,470)	464,027
Net assets beginning of year				<u>2,751,263</u>	<u>78,965</u>	<u>2,830,228</u>
Net assets end of year				<u>\$ 3,221,760</u>	<u>72,495</u>	<u>3,294,255</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 5,210,472
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	126,092
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,517,033
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(21,837)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds

General obligation bonds	\$ (4,910,000)	
Revenue bonds	<u>(1,700,000)</u>	<u>(6,610,000)</u>

Net assets of governmental activities (Exhibit A)	<u><u>\$ 3,221,760</u></u>
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GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Total
Revenues:							
Local sources:							
Local tax	\$ 1,270,130	-	85,167	107,963	307,759	209,035	1,980,054
Tuition	984,434	-	-	-	-	-	984,434
Other	60,354	115,442	8,792	3,140	-	7,558	195,286
State sources	1,849,877	-	-	-	-	-	1,849,877
Federal sources	159,081	-	-	-	-	-	159,081
Total revenues	<u>4,323,876</u>	<u>115,442</u>	<u>93,959</u>	<u>111,103</u>	<u>307,759</u>	<u>216,593</u>	<u>5,168,732</u>
Expenditures:							
Instruction	<u>3,038,383</u>	<u>107,421</u>	<u>34,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,180,244</u>
Support services:							
Student services	-	-	-	-	-	-	-
Instructional staff services	121,466	-	-	-	-	-	121,466
Administration services	451,800	-	4,426	-	-	-	456,226
Operation and maintenance of plant services	331,123	-	21,565	-	-	-	352,688
Transportation services	<u>224,163</u>	<u>-</u>	<u>9,786</u>	<u>71,886</u>	<u>-</u>	<u>-</u>	<u>305,835</u>
	<u>1,128,552</u>	<u>-</u>	<u>35,777</u>	<u>71,886</u>	<u>-</u>	<u>-</u>	<u>1,236,215</u>
Non-instructional programs:							
Community service and education	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Total
Other expenditures:							
Facilities acquisition and construction services	-	-	-	101,642	-	426,983	528,625
Principal on long-term debt	-	-	-	-	2,791,250	-	2,791,250
Interest on long-term debt	-	-	-	-	126,515	-	126,515
Services on long-term debt	-	-	-	-	1,075	-	1,075
AEA flowthrough	121,637	-	-	-	-	-	121,637
	<u>121,637</u>	<u>-</u>	<u>-</u>	<u>101,642</u>	<u>2,918,840</u>	<u>426,983</u>	<u>3,569,102</u>
Total expenditures	<u>4,288,572</u>	<u>107,421</u>	<u>70,217</u>	<u>173,528</u>	<u>2,918,840</u>	<u>426,983</u>	<u>7,985,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,304</u>	<u>8,021</u>	<u>23,742</u>	<u>(62,425)</u>	<u>(2,611,081)</u>	<u>(210,390)</u>	<u>(2,816,829)</u>
Other financing sources:							
Proceeds from issuance of bonds	-	-	-	-	-	6,610,000	6,610,000
Operating transfers in	-	-	-	121,406	2,606,250	-	2,727,656
Operating transfers out	-	-	-	-	-	(2,727,656)	(2,727,656)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,406</u>	<u>2,606,250</u>	<u>3,882,344</u>	<u>6,610,000</u>
Net change in fund balances	<u>35,304</u>	<u>8,021</u>	<u>23,742</u>	<u>58,981</u>	<u>(4,831)</u>	<u>3,671,954</u>	<u>3,793,171</u>
Fund balances beginning of year	<u>862,180</u>	<u>26,626</u>	<u>77,327</u>	<u>90,671</u>	<u>12,526</u>	<u>347,971</u>	<u>1,417,301</u>
Fund balances end of year	<u>\$ 897,484</u>	<u>34,647</u>	<u>101,069</u>	<u>149,652</u>	<u>7,695</u>	<u>4,019,925</u>	<u>5,210,472</u>

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 3,793,171

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities
This represents the change from FY09 to FY09

4,610

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 662,509	
Depreciation expense	<u>(159,749)</u>	502,760

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.

Issued	(6,610,000)	
Repaid	<u>2,791,250</u>	(3,818,750)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when due. In the Statement of Activities, interest expense is recorded as the interest accrues, regardless of when it is due.

(11,294)

Change in net assets of governmental activities (Exhibit B) \$ 470,497

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 137,418
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	71,855
Benefits	25,509
Services	19,159
Supplies	119,220
Depreciation	<u>10,576</u>
Total operating expenses	<u>246,319</u>
Operating (loss)	<u>(108,901)</u>
Non-operating revenues:	
Interest on investments	51
State sources	2,987
Federal sources	<u>99,393</u>
	<u>102,431</u>
Change in fund net assets	(6,470)
Net assets beginning of year	<u>78,965</u>
Net assets end of year	<u><u>\$ 72,495</u></u>

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 138,350
Cash payments to employees for services	(97,610)
Cash payments to suppliers for goods or services	(119,363)
Net cash (used by) operating activities	<u>(78,623)</u>
Cash flows from non-capital financing activities:	
State grants received	2,987
Federal grants received	81,506
Net cash provided by non-capital financing activities	<u>84,493</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(4,345)
Cash flows from investing activities:	
Interest on investments	<u>51</u>
Net increase in cash and cash equivalents	1,576
Cash and cash equivalents beginning of year	<u>28,008</u>
Cash and cash equivalents end of year	<u>\$ 29,584</u>
Reconciliation of operating (loss) to net cash used by operating activities:	
Operating (loss)	\$ (108,901)
Adjustments to reconcile operating profit (loss) to net cash (used by) operating activities:	
Depreciation	10,576
Commodities used	17,887
Decrease in inventory	1,129
(Decrease) in accrued salary and benefits	(246)
Increase in unearned revenue	932
	<u>\$ (78,623)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received federal commodities valued at \$17,887.

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2009

	<u>Agency</u>
Assets	
Cash	\$ 1,359
Land	<u>111,650</u>
Total assets	<u>113,009</u>
Liabilities	
Other payables	<u>113,009</u>
Total liabilities	<u>113,009</u>
Net assets	<u><u>\$ -</u></u>

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

GMG Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Garwin and Green Mountain, Iowa, and agricultural area in Marshall and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, GMG Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. GMG Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama and Marshall County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to treat all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	2,000
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ending June 30, 2009, expenditures in the instruction and other expenditures functions exceeded the amended budget amounts. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments in at June 30, 2009.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,500	-	-	54,500
Construction in progress	-	534,045	-	534,045
	<u>54,500</u>	<u>534,045</u>	<u>-</u>	<u>\$ 588,545</u>
Capital assets being depreciated:				
Buildings	6,515,467	4,047	-	6,519,514
Furniture and Equipment	<u>1,060,650</u>	<u>124,417</u>	<u>-</u>	<u>1,185,067</u>
Total capital assets being depreciated	<u>7,576,117</u>	<u>128,464</u>	<u>-</u>	<u>7,704,581</u>
Less accumulated depreciation for:				
Buildings	2,730,863	90,991	-	2,821,854
Furniture and Equipment	<u>885,481</u>	<u>68,758</u>	<u>-</u>	<u>954,239</u>
Total accumulated depreciation	<u>3,616,344</u>	<u>159,749</u>	<u>-</u>	<u>3,776,093</u>
Total capital assets being depreciated, net	<u>3,959,773</u>	<u>(31,285)</u>	<u>-</u>	<u>3,928,488</u>
Governmental activities, capital assets, net	<u>\$ 4,014,273</u>	<u>502,760</u>	<u>-</u>	<u>4,517,033</u>
Business type activities:				
Furniture and equipment	\$ 128,840	4,345	-	133,185
Less accumulated depreciation	<u>79,141</u>	<u>10,576</u>	<u>-</u>	<u>89,717</u>
Business type activities capital assets, net	<u>\$ 49,699</u>	<u>(6,231)</u>	<u>-</u>	<u>43,468</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 159,749</u>
Business Type activities:				
Food service operations				<u>\$ 10,576</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2009 is as follows:

	Obligation Bonds	Revenue Bonds	Total
Balance beginning of year	\$2,585,000	206,250	2,791,250
Additions	4,910,000	1,700,000	6,610,000
Reductions	<u>2,585,000</u>	<u>206,250</u>	<u>2,791,250</u>
Balance end of year	<u>\$4,910,000</u>	<u>1,700,000</u>	<u>6,610,000</u>

Revenue Bonds Payable

In April, 2009, the District issued revenue bonds for construction. The revenue bond bears no interest for the duration of the repayments. The revenue bonds will be repaid using Statewide Sales and Services Tax collected in the Capital Projects Fund. Current year collections of \$198,675 are more than sufficient to cover the annual payment of \$34,375. Details of the District June 30, 2009 revenue bond indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 27, 2009			
	Rates	Principal	Interest	Total
2010	3.50%	\$ 45,000	82,030	127,030
2011	3.50	55,000	74,145	129,145
2012	3.50	60,000	72,220	132,220
2013	3.50	70,000	70,120	140,120
2014	3.50	75,000	67,670	142,670
2015-2019	3.50-4.50	400,000	296,325	696,325
2020-2024	4.50-5.00	455,000	205,451	660,451
2025-2029	5.00-5.20	540,000	84,996	624,996
Total		<u>\$1,700,000</u>	<u>952,957</u>	<u>2,652,957</u>

The District has pledged future statewide sales and services tax revenues to repay the \$1,700,000 bonds issued in April 2009. The bonds were issued for the purpose of financing a portion of the costs of remodeling and addition to the high school building. The bonds are payable solely from the proceeds of the local option sales and service tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$2,652,957. For the current year \$0 of principal and \$0 of the interest was paid on the bonds and total statewide sales and services tax revenues were \$209,035.

The resolution providing for the issuance of the local option and services tax revenue bonds includes the following provisions:

- a) \$144,620 of the proceeds from the issuance of the revenue bonds are deposited in a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The balance of this account at June 30, 2009 was \$144,620.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District has complied with all of the revenue bond provisions during the year ended June 30, 2009.

General Obligation Bonds Payable

In April 2009 the District issued \$4,910,000 of general obligation bonds. Proceeds are being used to call in full existing general obligation bonds (\$2,400,000) and new construction (\$2,510,000).

Details of the District's June 30, 2009 general obligation bonded as follows:

Year Ending June 30,	Bond Issue of July 1, 1999			
	Rates	Principal	Interest	Total
2010	3.25%	\$ 200,000	186,328	386,328
2011	3.25	210,000	179,827	389,827
2012	3.25	215,000	173,003	388,003
2013	3.25	225,000	166,015	391,015
2014	3.25	235,000	158,702	393,702
2015-2019	3.00-3.60	1,325,000	671,765	1,996,765
2020-2024	3.80-4.15	1,100,000	450,900	1,550,900
2025-2029	4.25-4.65	1,400,000	196,825	1,596,825
Total		<u>\$4,910,000</u>	<u>2,181,365</u>	<u>7,093,365</u>

Savings from refinancing existing debt are difficult to estimate, however, interest rates and the new debt are from .35% to 1.4% lower than the rate on the called bonds.

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$163,364, \$145,876, and \$126,503 respectively, equal to the required contributions for each year.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$121,637 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$2,606,250
	Physical Plant and Equipment Levy	<u>121,406</u>
		<u>\$2,727,656</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

GMG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
	Actual	Actual				
Revenues:						
Local sources	\$ 3,159,774	137,469	3,297,243	3,021,408	3,021,408	275,835
State sources	1,849,877	2,987	1,852,864	1,788,627	1,788,627	64,237
Federal sources	159,081	99,393	258,474	224,000	224,000	34,474
Total revenues	5,168,732	239,849	5,408,581	5,034,035	5,034,035	374,546
Expenditures/Expenses:						
Instruction	3,180,244	-	3,180,244	3,178,000	3,178,000	(2,244)
Support services	1,236,215	-	1,236,215	1,337,500	1,700,000	463,785
Non-instructional programs	-	246,319	246,319	208,000	275,000	28,681
Other expenditures	3,569,102	-	3,569,102	3,435,584	3,435,584	(133,518)
Total expenditures/expenses	7,985,561	246,319	8,231,880	8,159,084	8,588,584	356,704
Excess (deficiency) of revenues over (under) expenditures/expenses	(2,816,829)	(6,470)	(2,823,299)	(3,125,049)	(3,554,549)	731,250
Other financing sources (uses)	6,610,000	-	6,610,000	3,000,000	3,000,000	3,610,000
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	3,793,171	(6,470)	3,786,701	(125,049)	(554,549)	4,341,250
Balance beginning of year	1,417,301	78,965	1,496,266	1,470,393	1,470,393	25,873
Balance end of year	\$ 5,210,472	72,495	5,282,967	1,345,344	915,844	4,367,123

See accompanying independent auditor's report.

GMG COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District amended its budget once increasing expenditures by \$429,500.

During the year ended June 30, 2009, expenditures in the instruction and other expenditures functions exceeded the amended budgeted amounts. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	1,274	651	229	1,696
Vocal	1,191	1,301	750	1,742
HS Cheerleading	1,323	9,694	11,017	-
Future Teachers	176	-	-	176
Spanish Club	-	271	117	154
Class of 2014	-	15	9	6
Class of 2009	2,543	1,854	1,973	2,424
Class of 2010	1,414	6,021	6,677	758
Class of 2012	-	446	-	446
Class of 2011	-	951	-	951
Class of 2013	-	308	-	308
Interest	-	115	46	69
SH Student Council	-	18,531	16,541	1,990
JH Student Council	602	329	-	931
National Honor Society	979	1,611	1,678	912
Yearbook	(11,692)	9,519	7,643	(9,816)
Athletics	20,403	44,358	39,743	25,018
Dance Team	4,694	8,222	11,107	1,809
HS SADD	307	3,628	3,839	96
Volleyball	1,608	-	-	1,608
Elementary	1,729	1,765	1,425	2,069
Elementary Student Council	75	-	-	75
Weightlifting	-	5,652	4,627	1,025
JEL	-	200	-	200
Totals	<u>26,626</u>	<u>115,442</u>	<u>107,421</u>	<u>34,647</u>

See accompanying independent auditor's report.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2009

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Kienzle Farm	\$ 113,452	11,091	11,534	113,009

See accompanying independent auditor's report.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Nine Years

		Modified Accrual Basis								
		2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Local sources:										
Local tax	\$	1,980,054	1,896,066	1,921,034	1,714,967	1,716,960	1,639,511	1,639,770	1,507,106	1,520,854
Tuition		984,434	910,556	823,345	715,953	560,856	514,681	522,976	402,370	325,049
Other		195,286	227,475	233,166	293,939	159,301	178,438	229,726	233,368	438,985
State sources		1,849,877	1,637,262	1,598,542	1,664,396	1,560,545	1,447,237	1,442,940	1,363,095	1,483,209
Federal sources		159,081	117,313	116,480	120,997	124,088	126,711	116,125	51,116	89,831
Total	\$	5,168,732	4,788,672	4,692,567	4,510,252	4,121,750	3,906,578	3,951,537	3,557,055	3,857,928
Expenditures:										
Instruction	\$	3,180,244	2,840,875	2,747,632	2,591,270	2,464,777	2,336,123	2,149,911	2,220,970	2,122,978
Support services:										
Student		-	1,432	-	-	-	-	72,896	77,954	78,132
Instructional staff		121,466	121,705	135,500	105,812	108,056	128,468	108,724	138,324	116,974
Administration		456,226	462,626	486,484	452,913	426,146	420,295	380,672	375,326	343,958
Operation and maintenance of plant		352,688	313,784	362,544	306,398	304,610	299,448	293,022	334,251	302,287
Transportation		305,835	224,787	227,957	229,965	183,904	147,865	169,306	118,509	187,009
Central Support		-	-	-	-	8,006	11,193	8,739	-	-
Noninstructional programs		-	-	-	-	-	-	-	-	-
Community service operation		-	1	6,407	2,400	-	-	-	7,798	7,849
Other expenditures:										
Facilities acquisition		528,625	158,653	218,476	515,390	211,660	170,629	163,976	292,499	2,986,886
Debt Service		-	-	-	-	-	-	-	-	-
Principal		2,791,250	209,375	204,375	160,000	150,000	145,000	140,000	130,000	125,000
Interest and service charges		-	-	-	-	-	-	-	-	-
AEA flowthrough		127,590	134,876	143,208	152,807	161,808	170,408	178,806	186,608	193,957
		121,637	119,335	117,271	114,952	112,048	110,391	113,434	109,865	115,941
Total	\$	7,985,561	4,587,449	4,649,854	4,631,907	4,131,015	3,939,820	3,779,486	3,992,104	6,580,971

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the
GMG Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 15, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GMG Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of GMG Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GMG Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GMG Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of GMG Community School District's financial statements that is more than inconsequential will not be prevented or detected by GMG Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by GMG Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09 are material weaknesses.

Compliance and Other Matters

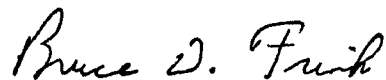
As part of obtaining reasonable assurance about whether GMG Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

GMG Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit GMG Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of GMG Community School District and other parties to whom GMG Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of GMG Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 15, 2010

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

II-B-09 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

II-A-09 Certified Budget - Expenditures for the year ended June 30, 2009 exceeded the amended certified budget amounts in the instruction and other expenditure programs functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

II-B-09 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-09 Business Transactions - No Business transactions between the District and District officials or employees were noted.

II-D-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-09 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-H-09 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

II-I-09 Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

II-J-09 Financial Condition - The District had accounts in the Student Activity Fund with deficit balances at June 30, 2009.

Recommendation -The District should investigate alternatives to eliminate these deficit balances.

Response - We are monitoring the fund and are working to eliminate the deficit balances.

Conclusion - Response accepted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

II-K-09 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

II-L-09 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$ -
Statewide sales and services tax revenue	209,035
Expenditures/transfers out:	
School infrastructure:	
Building	<u>209,035</u>
Ending balance	\$ <u> -</u>